



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

INFORMATIONAL LETTER NO. 749

DATE: September 18, 2008

TO: All Rebase and Out-of-State Iowa Medicaid Participating Hospitals

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: Implementation of Ambulatory Payment Classification Methodology
Effective October 1, 2008

On October 1, 2008, the Medicaid payment for outpatient hospital services under the Ambulatory Patient Group (APG) methodology is changing to the Medicare Ambulatory Patient Classification (APC) method.

- **The change to APCs will also require that NDC codes are reported for all separately payable J-code drugs for dates of service on or after October 1, 2008.**

The IME's Claims processing system will be updated effective October 1, 2008 so that all claims with dates of service on or after that date will be processed under the new APC methodology.

Hospital cost allocation workpapers and APC base rate calculation worksheets were mailed to each hospital on July 2, 2008. Since then, additional information has been received from hospitals that affected their hospital's cost allocation. In addition, it was determined that the payment simulation was not providing payment for procedure codes 99211 and 99218. Adding these codes caused the total fee schedule payments to increase, which has the net effect of reducing the base APC rates, due to the nature of budget neutrality.

Enclosed is an updated copy of your hospital's cost allocation workpapers and outpatient APC base rate calculation worksheet. Out-of-state hospitals that did not have a FY 2006 cost report on file with the IME will receive the statewide average APC base rate. We have also included a copy of the fiscal impact that compares payments under the APG payment methodology to estimated payments under the APC methodology. The same claim set was used to determine payments under both methodologies.

Enclosed is an FAQ document detailing frequently asked APC and NDC issues. This document has been placed on the IME website at <http://www.ime.state.ia.us/providers>.

If you have any questions please contact the IME Provider Cost Audit and Rate Setting Unit at 1-866-863-8610 or 515-725-1108 or by e-mail at: costaudit@dhs.state.ia.us.